



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

TESTIMONY
BONNIE STEWART
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
PLANNING AND DEVELOPMENT COMMITTEE
WEDNESDAY, MARCH 2, 2011

Good afternoon. My name is Bonnie Stewart. I am vice president for the Connecticut Business and Industry Association (CBIA). CBIA represents over 10,000 companies in the state ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, are employers with fewer than 50 employees.

I am here today to express CBIA's opposition to several property tax measures before you. They include:

- PSB-64 AAC Alternatives To Property Tax
- PSB-130 AAC Land Value Taxation
- SB-898 AAC Property Tax Relief For Low And Moderate-Income Homeowners.

PSB-64 AAC Alternatives To Property Tax

CBIA generally opposes local option tax proposals because of concerns regarding the impact such measures might have on municipalities, their residents and businesses, should sales and/or income taxes be imposed at the local level. We are concerned that local option revenues are not the panacea that some hope them to be.

We have several reasons for our concerns. First, we are fearful that the imposition some of these taxes on a town by town basis might have a negative effect on the state's smart growth efforts. This is in large part due to the fact that local option taxes are most often requested by the state's larger municipalities.

Second, the measure may result in some towns having reduced private sector services. This would happen when retailers, restaurants and local car repair shops realize it would be less expensive for their clients and themselves to locate in a neighboring community without local option taxes.

Third, implementation of new taxes would drive up municipal costs as they currently do not have the infrastructure to administer local sales tax or income tax initiatives. The new municipal taxes would increase administrative costs for businesses and complicate their operations too. Learning what is, or is not, taxable and the resolution of such disputes is timely and costly. One of the busiest areas at the Department of Revenue Services is that of sales and use tax. Permitting a separate layer of this litigious tax, with separate rules and filing requirements results in a cost that cannot be outweighed by the benefit.

We urge you to **reject PSB-64**.

PSB-130 AAC Land Value Taxation

CBIA has expressed reservations about the land value taxation proposal many times over the years. Historically, we have opposed various classification schemes that would have allowed municipalities to tax different classes of properties at different rates. Our concerns have been based on the fact that once classification is in place; it may be politically expedient for local officials to increase taxes on one group of property owners as a way to appease another class of property owners. In that we represent manufacturers and other businesses that rely on personal property to run their operations, we are concerned about any initiative that may increase the tax on their equipment.

Although this proposal would not do that on its face, it may well lead to that result.

We have heard anecdotally from proponents that land value taxation has worked in Pennsylvania. But we have also heard anecdotally that some municipalities in Pennsylvania that initially adopted the system ultimately moved away from it. What we have not heard is any compelling evidence that it is either needed in Connecticut or that it would work here. Certainly there are vacant properties in some urban communities that would be better off developed. But is this the only, or best, way to accomplish that goal?

We believe it would be better policy for the legislature to make it easier and more cost-effective to clean up contaminated property. In addition, we could likely have a situation where an innocent landowner of contaminated property is unable to develop the land due to the cost of cleanup, but would then be hit with a higher tax. That should not be the policy of the state of Connecticut.

We have suggested in testimony in the past that if the legislature wants to seriously consider this proposal; it should first to a comprehensive study of the pros and cons of

this particular tax system to determine if it is right for Connecticut. We have asked for but not received any real evidence that this is a positive policy move for the state. A thorough analysis should precede any consideration of this proposal.

We respectfully ask the committee to **reject PSB-130**.

SB-898 AAC Property Tax Relief For Low And Moderate-Income Homeowners

CBIA strongly opposes SB-898, AAC Property Tax Relief For Low And Moderate Income People as in many towns this could result in substantial local tax increases on Connecticut businesses.

When considering property tax changes, it's extremely important that the business community's entire property tax burden be viewed, as property taxes are not paid only on buildings, real estate, and motor vehicles, but also on furniture, fixtures, computers, and certain machinery and equipment. Please keep in mind that the total potential property tax liability may be a determinant factor in business decisions regarding location, expansion or relocation.

The passage of SB-898 could result in a tax increase on employers' investments in commercial and industrial real estate as well as personal property that could reverse efforts to improve the state's economic climate. This is particularly true in urban areas where capital investments are most needed to create jobs and expand the community's tax base.

Under the bill, some property tax obligations of properties owned by low and moderate income persons would be shifted to businesses. Since commercial property and industrial property owners would not be eligible for the exemption, their taxes would increase. Also, taxes on employers' personal property would increase as businesses pay taxes on a broader range of personal property than individuals.

The fundamental problem with funding residential property tax relief at the municipal level is that it increases the local tax burden on other property owners, which may not be in any better position to absorb such tax increases. Passage of the proposed legislation would reverse recent attempts by the legislature to encourage employers to

commit new investment to state plants and businesses, expanding our industrial base and creating new job opportunities for Connecticut's citizens.

We urge you to **reject SB-898**.

Thank you for the opportunity to express CBIA's concerns.